TALENT TRENDS REPORT

AUGUST 2026

Source: REC/KPMG data July 2026

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WHAT THE MARKET IS TELLING US | AUGUST 2026

For 45 months in a row, permanent hiring across the UK fell. In July, it stopped falling. The permanent placements index reached 50.0 (the line between decline and growth) for the first time since October 2022.

We are realists and know one flat month is not a recovery - confidence is still fragile, costs are still rising and plenty of employers remain cautious. But after nearly four years of decline, 'no longer shrinking' is a significant headline. The flexible side of the market is already moving: temp billings grew for a fourth month and temporary vacancies rose for the first time in two years.

Pay is telling its own story too. Starting salaries rose at their fastest rate in six months and temp wage growth hit a 26-month high (because even in a candidate-rich market, the right skills are scarce and being repriced).

This month's report looks at what the milestone means for your hiring plans, why most organisations are now running a two-speed workforce without naming it, and how to make that blended model deliberate rather than accidental.

"Forty-five months is a long time to wait for a flat month, but this is the signal planning teams have been looking for. The organisations that come out of a long downturn strongest are the ones that planned their restart while everyone else waited for permission. That work starts now, not when the recovery is obvious."

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INDUSTRY AWARDS 2025 WINNER

THE MONTH IN FIVE

50.0 Permanent placements reached the no-change line - the first month without decline in 45 months, ending the longest downturn in the survey's history.

4 Consecutive months of temp billings growth, led by the North of England - flexible hiring is still doing the heavy lifting.

26 Temp wage growth hit a 26-month high and starting salaries rose at their fastest in six months - scarce skills are being repriced.

1st Rise in temporary vacancies in two years, at the quickest rate since August 2023 - employers are adding flexible capacity first.

22 Months since total vacancies last fell this slowly - employers are edging back towards hiring, not flooding back.

WHAT THIS MEANS FOR YOUR BUSINESS

The story of 2026 so far has been flexibility: businesses using contract and interim talent to progress projects without long-term commitment.

July's data moves the story on a step. Permanent hiring has stopped shrinking, flexible demand is growing again and pay for scarce skills is climbing. Individually, each is a data point. Together, they mark the month the market stopped getting worse.

Nobody is calling a boom. Business confidence is still fragile, costs are still climbing and the Autumn Budget looms large in every hiring conversation.

But the planning conversation has changed. And the sensible response is simple: **plan the restart now.**

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FIVE NUMBERS EVERYONE WILL MISREAD THIS MONTH

The ONS tells you what the whole economy is doing. It doesn't tell you what your hiring market is doing. Here's where the headlines and the reality part company:

VACANCIES 712,000

Reads like a weak market. **Look closer:** the fall has slowed to just 7,000 on the quarter. The decline is running out of road.

UNEMPLOYMENT 4.9%

Reads like rising slack. **Look closer:** it's down on the quarter and moving the right way for the first time in a while.

EMPLOYMENT RATE 75.1%

Reads like nothing's changing. **Look closer:** employers cut hiring, not people. The capacity to restart is intact.

WAGE GROWTH 4.3%

Reads like pay pressure easing. **Look closer:** whole-economy pay is slowing while starting salaries for scarce skills accelerate. The average hides the fight.

UNEMPLOYED CANDIDATES PER VACANCY 2.5

Reads like easy hiring. **Look closer:** the ratio has stopped rising. The loosening has stalled.

The headline data says "soft market, take your time". The detail says "the slack has stopped growing". Build your hiring plans on the detail, not the headline.

Sources: ONS Labour Market Overview (21 July 2026 release; Mar–May 2026 LFS data, Apr–Jun vacancies) and KPMG/REC UK Report on Jobs, August 2026. ONS notes LFS figures are 'official statistics in development'

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THE TWO-SPEED WORKFORCE

Most organisations are now running two hiring systems at once: cautious, slow-moving permanent recruitment on one side, and fast-growing flexible resource on the other. That's a rational response to uncertainty. But there's a difference between doing it deliberately and drifting into it:

THE SLOW LANE

Permanent hiring is stuck in approval loops. Roles take months to sign off, briefs go stale, and good candidates exit slow processes long before offer stage.

THE UNOWNED MIDDLE LANE

In most businesses, nobody owns the blend. Contractor costs creep, permanent plans drift, and the workforce you end up with is an accident rather than a decision.

THE FAST LANE

Flexible hiring is doing the work: temp billings up for a fourth month, temporary vacancies rising for the first time in two years, and contractor spend climbing with them.

Running two speeds is rational. Running them by accident isn't. The organisations coming out of this downturn strongest have decided - deliberately - what should be permanent, what should stay flexible and who owns the mix.

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HOW THE RESTART PLAYS OUT

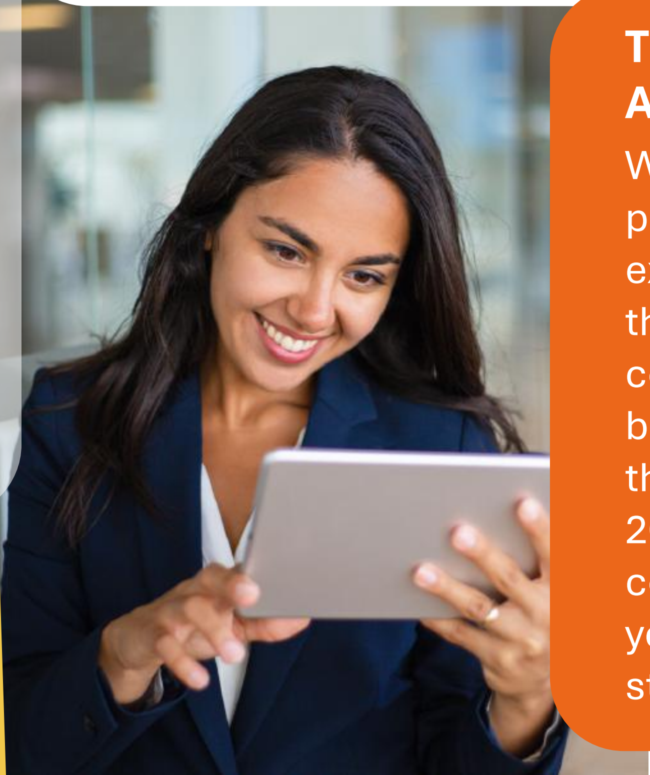
After 45 months of decline, recoveries tend to follow a sequence. July puts the market at Stage 1 (some companies are already further along).

THE MARKET IS HERE

HIRING FREEZES

STAGE 1	STAGE 2	STAGE 3
FLEXIBLE FIRST	**PROJECT-LED PERMANENT**	**VOLUME RETURNS**
Employers add contract and temp capacity to keep work moving without committing. **July's data says this is where the market is now.**	Permanent hiring restarts role by role, tied to funded projects rather than headcount plans. London's near four-year high suggests this has begun.	Confidence lands, everyone hires at once, salaries climb and time-to-hire stretches. Late movers pay recovery prices with rusty processes.

You can't control when Stage 3 arrives and the market is settled. But you can control whether you're ready when it does.



THE WORK THAT PAYS OFF AT EVERY STAGE

Whichever stage you recognise, the preparation is the same. It just gets more expensive the longer you leave it. Decide the blend (what stays flexible, what converts to permanent), refresh salary benchmarks before the market moves them for you, pre-map the roles tied to 2027 plans and agree who owns contractor spend. None of it commits you to a hire. It just means the next stage starts on your terms.

SIX DECISIONS FOR THE RESET

Forget audit questions - these are the six decisions worth making while the market is quiet. Tick the ones you've already made (a decision by default doesn't count).

THE MIX

What proportion of your workforce should be permanent versus flexible by mid-2027 (and is that by design or an accident?)

THE TRIGGER

What has to happen - revenue, budget, Autumn Budget clarity - for permanent hiring to switch back on, and who calls it?

THE OWNER

Who owns the blended workforce end to end - contractor spend, compliance and permanent plans - rather than three people owning a third each?

THE RATE CARD

Are your salary bands and contractor rates set against today's market, or the market when you last hired at volume?

THE PROCESS

If a critical role were approved on Monday, could an offer be out within four weeks - and if not, where does the time go?

THE EVIDENCE

Do you know your cost-per-hire and time-to-hire well enough to defend the mix you've chosen to a CFO?

Made four or more of these decisions deliberately? You're ahead of most.

Fewer? That's the conversation to have now - deciding is free, and it's a lot cheaper than drifting.

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SWITCH ON, DON'T LOCK IN

If August's message is 'decide the mix deliberately', the obvious next question is how - especially when nobody wants to add fixed cost before the recovery is confirmed. It isn't one big decision. It's picking the right tool for each part of the blend:

FOR THE FAST LANE: EMBEDDED TALENT (RaaS)

While flexible and project hiring does the heavy lifting, embedded recruiters give you dedicated capacity inside your team - your brand, your systems - on a subscription that scales both ways. Stage 1 and 2 hiring, without the fixed overhead.

FOR WHEN VOLUME RETURNS: RPO

If your plans point to sustained permanent hiring into 2027, RPO builds the full engine - sourcing, process, technology, reporting - before Stage 3 arrives rather than during it. Predictable cost per hire, and a process that's ready the day the board says go.

FOR THE UNOWNED MIDDLE: MSP

If contractor spend has crept while nobody owned it, an MSP puts one point of control around your contingent workforce - rates, compliance, suppliers and spend visibility.

FOR THE DECISIONS THEMSELVES: TALENT ADVISORY

Not ready to change anything yet? Advisory is where the six reset decisions get made: workforce mix, pay benchmarking, process design and governance of the blend. Decide first, commit later.

Joined up, this becomes a **Total Talent mix:** permanent and flexible managed as one, with a single owner of the blend.

DRIFTING VS DECIDING

Two versions of the same organisation in mid-2027. The only difference is whether anyone owned the blend:

	THE ACCIDENTAL BLEND	THE DELIBERATE BLEND
THE MIX	The perm/flexible ratio is whatever last year's decisions left behind	Chosen against the 2027 plan, reviewed quarterly
CONTRACTOR SPEND	Creeps year on year - nobody can quote the total	Visible, benchmarked and governed: one owner, one number
PAY	Bands set when you last hired at volume - offers get declined	Benchmarks refreshed before the market moves them for you
WHEN STAGE 3 HITS	You scramble for capacity at recovery prices with a rusty process	Pre-built capacity switches on while others are still approving
OWNERSHIP	Three people each own a third of the workforce	One owner of the blend, end to end
THE OUTCOME	The workforce you drifted into	**The workforce you decided on**

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MAKE THE RESET DELIBERATE

July marked the end of the decline. The question for the rest of 2026 isn't whether to hire - it's what the right mix looks like for you. We'll help you work it out, with no commitment required.

Complimentary Workforce Reset Session - a structured conversation covering:

- Where you stand on the six reset decisions
- Pay benchmarks for your critical roles
- The right permanent/flexible mix for your plans
- Who should own the blend, and how to govern it

SCAN THE QR CODE TO BOOK A DISCOVERY CALL

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